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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 007229

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STATE FOR WHA/FO WHA/EPSC

E.O. 12958: DECL: 04/17/2026

TAGS: [PREL](#) [ETRD](#) [EINV](#) [CH](#) [XM](#) [VE](#) [CU](#) [TW](#)

SUBJECT: WHA A/S SHANNON MEETING WITH BEIJING BASED LATIN  
AMERICAN AMBASSADORS

Classified By: Deputy Chief of Mission David S. Sedney. Reasons 1.4 (b  
/d).

11. (C) Summary: During a luncheon hosted by Ambassador Randt for visiting WHA Assistant Secretary Shannon, Beijing-based Ambassadors from Argentina, Brazil, Chile, Mexico and Peru discussed their bilateral relations with China and its influence in Latin America. Most agreed China is primarily interested in regional stability and continued growth in trade and investment rather than political adventurism. In the region, China is seen as a partner as well as a competitor. There is little region-wide dialogue with China due to China,s continuing focus on Taiwan recognition issues. The Ambassadors agreed that China is not supportive of Venezuelan President Chavez,s politically charged anti-American rhetoric. Several said China might be willing to engage Cuba on political reform using China's recent experience as an example. Others cautioned, however, that Cuba still holds special value for the Chinese Government. End Summary.

Taiwan Recognition Issue Clouds Regional Dialogue with China  
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12. (C) In response to A/S Shannon,s query about the likelihood of regional talks between Latin American countries and China, Chilean Ambassador Cabrera commented that the MERCOSUR-China dialogues had not been substantive. China is mainly concerned with getting Paraguay to switch diplomatic recognition from Taiwan to China, he stated. Brazilian Ambassador De Castro Neves added that Taiwan pays Paraguay handsomely to maintain ties. Cabrera also commented that Panama now has a representative office in Beijing and that the Panamanians are trying to assess the impact of a possible change in recognition.

China Not Supportive of Venezuelan Rhetoric, Say Latin  
American Ambassadors  
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13. (C) A/S Shannon expressed concern that Venezuelan President Chavez,s anti-U.S. rhetoric is aimed at provoking a rupture between North and South America. He planned to explain U.S. concerns about Venezuela to the Chinese and would urge them to steer clear of the issue, lest they feed suspicion in the United States regarding their regional intentions. There are concerns in the United States that

China may become a political adventurer in the region, he added, but China seems more interested in regional stability and access to markets and resources. Latin American countries could help explain the regional context to the Chinese, he stated.

¶4. (C) Both the Brazilian and Mexican Ambassadors, citing direct conversations with Chinese Government officials, said China does not support Venezuela's anti-American rhetoric. A Chinese Vice Minister had said the rhetoric does nothing to help the situation of the Venezuelan people, according to Mexican Ambassador Lopez. Brazilian Ambassador De Castro Neves concurred that the Chinese are concerned about Venezuelan rhetoric and want trade relations with Latin America without harming United States-Latin American relations.

¶5. (C) The Chilean Ambassador suggested that the United States take a cautious approach with the Chinese about Venezuela. While still a Communist country, China is trying to implement political and economic reforms, he said. The Chinese are cool to the idea of influencing politics in the region, he added, and are mainly interested in Venezuela's oil and gas. The Peruvian Ambassador cautioned that the Chinese are not concerned about anti-American rhetoric in the region, adding that their definition of democracy is different from that of the United States.

#### China - Cuba Relations

¶6. (C) A/S Shannon commented that Cuba's policy of succession will have disastrous consequences. Without a

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transition to democracy the regime is too brittle to survive. Shannon then suggested that China, since it is going through an opening process now, could teach the Cubans about reform.

¶7. (C) The Chilean, Brazilian, and Argentinean Ambassadors said Cuba holds a special place in the minds of the Chinese for historical reasons. Every high level Chinese visitor to the region must stop in Havana, they observed. According to the Chilean Ambassador, an official of the Chinese Communist Party told him Cuba is still considered a jewel by China because it is one of the last remaining Marxist-Leninist regimes.

¶8. (C) Brazilian Ambassador Neves commented that China won't insert itself in this issue but would like to see a Chinese-style transformation in Cuba. Based on a conversation he had with a Chinese official, China would like Cuba to "understand the world better."

#### Bilateral Perspectives

¶9. (C) Chile: The Chilean-China free trade agreement (FTA) negotiations had been very successful according to Chilean Ambassador Cabrera. The countries are now moving on to discussions regarding investments and services. Characterizing the investment negotiations as no easy task, he felt the services component is progressing well. Chile pursued the FTA for strategic reasons, but the surge in Chinese exports of consumer goods had hurt some sectors such as footwear. Still, trade is developing quickly as exemplified by the recent Minmetals (China) and Codelco agreement that is expected to boost investment from USD 500 million to USD 2 billion. Chile is also talking with the Chinese Government about an open skies agreement. Cabrera said Chile want to become a platform for services for the rest of Latin America.

¶10. (C) Argentina: Ambassador Morelli commented that soybeans are Argentina's major export to China. After the 2001 collapse of the Argentinean economy, the USD 4 billion

in trade with China is extremely helpful. Argentina continues to deal with China in a transparent way and is working on promoting anti-terrorism activities and human rights with the Chinese.

¶11. (C) Brazil: Ambassador Neves highlighted the explosive growth in trade with China (1,000 percent over the last six years) that has made it Brazil,s number two trading partner.

He acknowledged the rise in domestic complaints as the Brazilian surplus with China declines, but felt that criticism of high value added imports from China and Brazilian exports of primary commodities should not be compared to previous North-South relations. He clarified that Brazil is also exporting goods to China that are turned into intermediary products that return to Brazil for finished manufacturing. While there had been calls for anti-dumping protection against Chinese imports, he stated, these are most often coming from noncompetitive companies. He said China prefers to deal with trade frictions bilaterally rather than through WTO mechanisms as this could set a precedent for disputes with other countries. Brazil feels the WTO mechanisms have been working so far and will not adopt safeguards to protect uncompetitive companies.

¶12. (C) Ambassador Neves added that for the first time trade with China had become a domestic political issue in national elections. The opposition claims that the Government has not protected Brazilian industry and cites the example of China,s purchase of an automotive parts factory, the production lines of which were shipped back to China.

¶13. (C) Brazil,s investments in China (slightly larger than China,s Brazilian investments) are dominated by the aircraft manufacturer Embraer,s operations in Harbin and a Brazil/U.S./China joint venture between Embraco, Whirlpool and Snowflake for producing compressors. There is also talk of investment in an electrical engine production facility. China,s low cost production is the driving force in these investments, according to Ambassador Neves, with labor costs

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30 percent lower than in Brazil. He is convinced that the problems lie in Brazil rather than in China.

¶14. (C) Peru: Ambassador Reyes said China is now Peru,s second largest trading partner as exports had been increasing rapidly from the USD 500 million five years ago. While they had problems with China's Ministry of Commerce in the past regarding textile imports (Peru had used safeguards back in 2001), relations had progressed smoothly since then. Peru would like more Chinese investment but the going has been slow. Politically, the Chinese Communist Party had close ties to all of the candidates in the upcoming election including Ollanta Humala who is currently leading in the polls. He went on to say that Peru has a large ethnic Chinese population, most of whom came from Taiwan but who now support the mainland. (Biographical note: Ambassador Reyes mentioned that he is second generation Chinese.)

¶15. (C) Mexico: Categorizing the China-Mexico relationship as love/hate, Ambassador Lopez described competition for the U.S. market as the main feature of their relationship. The main issue affecting Mexico-China relations at the moment is the great disparity in trade flows. Real trade was USD 16.5 billion in 2005 with imports from China totaling USD 14 billion and Mexican exports only USD 2.5 billion according to Ambassador Lopez. Mexico realizes that it can't stop the flow of trade even if it wanted to. Mexico is focused on increasing exports and has received a positive response from China.

¶16. (C) The composition of Mexican exports to China, he continued, is primarily processed food and manufactured goods (including electronics, which they also import from China). Mexico would like to expand pharmaceutical and chemical, exports but constant pressure on China would be required to

open China's market. Since China's economy is continuing to grow, Mexico does not want to be left behind, he added. Beyond trade, he noted that Mexico also maintains a human rights dialogue with China.

¶17. (U) This report has been cleared by A/S Shannon's delegation.

#### Participants

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#### Latin American Ambassadors

Mr. Juan Carlos Morelli, Ambassador, Embassy of Argentina  
Mr. Luiz Augusto De Castro Neves, Ambassador, Embassy of Brazil  
Professor Pablo Cabrera, Ambassador, Embassy of Chile  
Mr. Ismael Sergio Ley Lopez, Ambassador, Embassy of Mexico  
Mr. Luis Vicente Chang Reyes, Ambassador, Embassy of Peru

#### U.S. Government

Mr. Thomas Shannon, Assistant Secretary of State for Western Hemisphere Affairs  
Mr. Clark T. Randt, Jr., Ambassador, U.S. Embassy Beijing  
Mr. John S. Creamer, Senior Executive Assistant to the Assistant Secretary, U.S. Department of State  
Mr. Paul Kreutzer, Political Officer (Control Officer)  
Mr. Brian Klein, Economic Officer (Notetaker)  
SEDNEY